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## INTERNATIONAL ASPECTS OF AMERICAN MARITIME POLICIES

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THE war caused a great change in shipping. Germany has lost all her ships suitable for overseas trade and must build ships for the Allies for some years to come. The countries engaged in the war and many neutrals lost a substantial part of their tonnage. The position of the United States before the war in overseas shipping was negligible. We carried less than ten per cent of our own import and export trade. As a result of war building the United States now has a fleet of vessels equal to one-fourth of the world's tonnage and able to carry over sixty per cent of our foreign commerce. Our fleet is second only to that of Great Britain. Of course, we have not a merchant marine in the sense that Great Britain and the other maritime countries have a merchant marine. The great majority of our ships are still owned by the government although operated by private companies.

The policy concerning this war-built fleet adopted by Congress is clearly set forth in the preamble to the Merchant Marine Act of 1920:

It is necessary for the national defense and for the proper growth of our foreign and domestic commerce that the United States have a merchant marine with the best equipped and most suitable types of vessels to carry the greater portion of its commerce ultimately to be owned and operated privately by citizens of the United States, and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine.

What will be the effect of such policy on our international relations? That depends entirely upon the methods adopted by Congress to develop and encourage the maintenance of a private merchant marine. Successful competition based on efficiency and equal opportunity will have no serious results upon our international relations, although naturally the other maritime nations will not like it. If, however, we adopt a

policy of encouraging American shipping by discriminations against other ships, we will rouse ill-will, resentment and in the end retaliation. Apparently this is the exact policy which we are tending toward. Among the various methods proposed are the use of the Panama Canal free of tolls by all American ships, a reduction in the customs dues on commodities imported in American ships, lower rail rates on articles imported or exported in American ships, lower tonnage dues than those imposed on foreign ships and the development exclusively for the use of the American ships of the public oil lands.

There is nothing new about these forms of discriminations. They are almost as old as ships themselves. Every form of discrimination that human ingenuity could invent has been tried in the past. For centuries discriminations were the rule rather than the exception. The whole tendency of recent years has been against such discrimination. We have treaties with practically all the commercial countries of the globe providing for reciprocity and equal treatment for ships. This tendency and these treaties are not the result of a soft idealism, but the result of years of hard practical selfish experience. Invariably discriminations led to international ill-will and retaliation and in the long run were ineffective as aids to national shipping. When they become general their benefits largely disappear and all that remains are their burdens and evil consequences.

To one familiar with the past history of shipping and navigation laws, it is almost inconceivable that the United States should now abrogate its treaties providing for equal treatment and engage in a wholesale campaign of discriminations. What are the reasons for this change in policy?

There is a general belief among shipping men and also the public that some form of government aid is necessary to enable American ships to compete with foreign ships. For years attempts have been made to subsidize in various ways American shipping. The opposition to direct subsidies has been so strong that the shipping interests have turned now to these indirect forms of aid. The opposition of the public is not as great because these methods seem to cost the public nothing, which is, of course, fallacious.

Does American shipping need government aid in order to compete with other countries, and if so, what form should that aid take? It is true that before the war American capital did not go into shipping because the returns were not attractive enough. Ships cost much more to build in the United States and were more costly to operate, but the war has not only brought changes in the amount of tonnage owned by the various countries but has brought a great change in building and operating cost. Today we can build ships in the United States practically as cheap as they can be built in Great Britain, and labor costs and operation are nearer equal than they have ever been before. It is true that American ships, especially the smaller vessels, carry larger crews and wages are somewhat higher, but labor cost is a very small factor in ship operation. It runs from 6 to 12 per cent of the operating cost depending on the type of vessel. For oil-burning cargo carriers of which our fleet is largely made up, the total labor cost is not more than seven or eight per cent. Insurance is more, depreciation is more, fuel is more. The importance of the higher wage has always been greatly over-emphasized.

Our foreign trade is developing in ways that make it more advantageous to have transportation under our own control. In addition to all these reasons Germany which was formerly second in ocean transportation has been eliminated for some years as an important competitor. It does not seem at all improbable that the United States when it has developed the necessary personnel can compete successfully in ocean transportation. The one thing we are lacking today is trained personnel. Profit in ship operation depends upon keeping the ship at work, quick despatch and the securing of full cargoes both out and in. In no industry is training and experience of more vital importance than in shipping. It requires trained officers and trained engineers and trained crews to operate ships safely and keep them in good condition. Repairs are not only costly but the delays are costlier still, as practically all the operating costs continue while a ship is laid up for repairs or awaiting cargo. Successful shipping also requires skill and an experienced organization on land in not only the home ports, but in all the foreign ports of the world to which the ship may go. It takes time to build up such a personnel.

I realize that there is a difference of opinion on this question of successful competition. Many men of long experience believe that we cannot operate as cheaply as foreign ships and that either permanently or for some considerable period of time the government's aid will be required to enable American shipping to make a profit. Assuming that this is true, under no circumstances should we give that aid through discriminations. Their effect on international relations will be serious. This is not an opinion. This is a statement of history. Moreover they are unsound from a domestic point of view. The burdens are hidden and the benefits are conferred without choice or judgment. Moreover, applied to as large an amount of tonnage as we now own, they are sure, if at all effective in aiding American shipping, to be followed by retaliation by other nations and general discrimination against our own ships. Men seem to forget that foreign commerce and overseas shipping is not merely a national matter, but an international matter. All our imports are some other country's exports, and all our exports are some other country's imports. For once sound international policy and sound domestic policy are in accord.

The policy the United States should pursue is to grant and insist upon receiving equal treatment for all ships, and if any aid be given by the government to shipping it should be in the form of a direct subsidy or grant.

The public will then know what it costs and who gets it.

I am not discussing theories alone. A great and immediate danger exists. In fact, Congress has already acted. The Merchant Marine Act passed last June provides first for extending the coastwise laws to the Philippine Islands and all our territories and insular possessions. This is clearly a perversion of the coastwise principle. Section 34 provides that in the opinion of Congress articles or provisions in treaties or covenants to which the United States is a party which restrict the right of the United States to impose discriminating customs duties on imports entering the United States in foreign vessels and in vessels of the United States and which also restrict the right of the United States to impose discriminatory tonnage dues on foreign vessels and on vessels entering the United States, should be terminated and the President was di-

rected within 90 days to serve notice on all countries with which we had such treaties that the portions thereof containing these restrictions were abrogated. President Wilson has refused to give such notice. It is confidentially stated in the Republican papers that Senator Harding will carry out the instructions of Congress. The abrogation of these treaties would not only make it possible to apply discriminatory duties and discriminatory tonnage dues, but would make immediately effective a provision in the Underwood Tariff Bill granting five per cent reduction in the duties on all commodities imported in American ships. This provision was declared inoperative by the Supreme Court, because of the proviso that nothing in the provision should be construed to abrogate or affect any treaty between the United States and any other country. The provision has never been repealed and the abrogation of these treaties automatically makes it effective. Moreover, the Merchant Marine Act permits lower rail rates on goods imported into or exported from the United States if carried in American ships.

This complete change of our past policy is being adopted without any general discussion or understanding by the public as to the nature of such legislation or the consequences most certain to flow from it. So far those interests in favor of building up American shipping by such means have had the field to themselves. The press has been full of propaganda emphasizing the importance to the nation of a merchant marine and the need of some government aid. Shipping interests feel that this is the psychological time to secure legislation. The public has been aroused by the war to the importance of shipping. After five or six profitable years we are now entering a period of severe competition, because the excessive building of ships in the world has caught up with the demand for transportation.

It is the duty of men of influence in business and in politics to arouse public interest in these problems and to point out the dangers of the course we are entering upon. The whole history of the past proves that these methods will not be effective and the only certain result will be international ill-will, resentment and economic warfare.